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Washington, DC **ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

SEC Mail Processing

SEC FILE NUMBER

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Washington, DC  
**Information Required of Brokers and Dealers Pursuant to Section 17(a) of the**  
**Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/18 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **C W Securities, LLC**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

**8870 Cedar Springs Lane, Suite 208**

(No. and Street)

**Knoxville**

**TN**

**37923**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Alexander Thompson Arnold, PLLC**

(Name - if individual, state last, first, middle name)

**2070 Rhino Crossing**

**Milan**

**TN**

**38358**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

RMS

## OATH OR AFFIRMATION

I, Michael E. Cox, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of C W Securities, LLC, as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

**NONE**

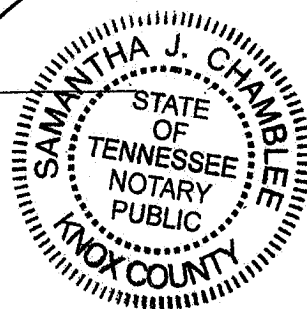
In witness whereof, Michael E. Cox  
Subscribed his name on the date above  
in the presence of the below undersigned  
authority, February 22, 2019.

  
Signature

Member  
Title

  
Notary Public

Comm. Exp. 03-31-21



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CW SECURITIES, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**CW SECURITIES, LLC**  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members  
of CW Securities, LLC

### Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of CW Securities, LLC as of December 31, 2018 and 2017, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of CW Securities, LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of CW Securities, LLC's management. Our responsibility is to express an opinion on the CW Securities, LLC's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to CW Securities, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

The Computation of Net Capital has been subjected to audit procedures performed in conjunction with the audit of CW Securities, LLC's financial statements. The supplemental information is the responsibility of CW Securities, LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Computation of Net Capital is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 2012.

*Alexander Thompson Arnold PLLC*

Milan, Tennessee  
February 22, 2019

## **FINANCIAL SECTION**

**CW SECURITIES, LLC**  
**STATEMENTS OF FINANCIAL CONDITION**  
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,608	\$ 17,178
Commissions receivable	<u>22,262</u>	<u>18,368</u>
Total current assets	40,870	35,546
Property and equipment	11,700	11,700
Accumulated depreciation	<u>(11,700)</u>	<u>(11,700)</u>
Property and equipment, net	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><b>\$ 40,870</b></u>	<u><b>\$ 35,546</b></u>
<b>Liabilities and members' equity</b>		
Commissions payable	\$ 20,790	\$ 17,533
Members' equity	<u>20,080</u>	<u>18,013</u>
<b>Total liabilities and members' equity</b>	<u><b>\$ 40,870</b></u>	<u><b>\$ 35,546</b></u>

*The accompanying notes are an integral part of these financial statements.*

**CW SECURITIES, LLC**  
**STATEMENTS OF INCOME**  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
Variable insurance and annuities commissions	\$ 131,738	\$ 170,917
Fees from advisory services	117,635	79,978
Fees-12b1 trailers	103,776	97,341
Fees-municipal -529 plans	248	349
Mutual fund commissions	10,720	6,611
Private placement commissions	21,818	885
Other income	50	736
Interest income	25	25
Total revenue	<u>386,010</u>	<u>356,842</u>
<b>Expenses</b>		
Commissions	320,194	299,802
Contract personnel	7,200	7,000
License, registration and fees	10,194	9,194
Rental expense	6,000	6,200
Consulting	27,194	23,577
Professional fees	8,500	8,950
Other operating expenses	4,661	5,095
Total expenses	<u>383,943</u>	<u>359,818</u>
<b>Net income (loss)</b>	<u>\$ 2,067</u>	<u>\$ (2,976)</u>

*The accompanying notes are an integral part of these financial statements.*



**CW SECURITIES, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
For the Years Ended December 31, 2018 and 2017

Balance at January 1, 2017	\$ 20,989
Net loss for tax year	<u>(2,976)</u>
<b>Balance at December 31, 2017</b>	<b>18,013</b>
Net income for tax year	<u>2,067</u>
<b>Balance at December 31, 2018</b>	<b><u>\$ 20,080</u></b>

*The accompanying notes are an integral part of these financial statements.*

**CW SECURITIES, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 2,067	\$ (2,976)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
(Increase) decrease in commissions receivable	(3,894)	17,619
Increase (decrease) in commissions payable	<u>3,257</u>	<u>(15,140)</u>
<b>Net cash provided (used) by operating activities</b>	<b>1,430</b>	<b>(497)</b>
Cash and cash equivalents at beginning of the period	<u>17,178</u>	<u>17,675</u>
Cash and cash equivalents at end of the period	<u>\$ 18,608</u>	<u>\$ 17,178</u>

*The accompanying notes are an integral part of these financial statements.*

**CW SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Business**

The Company is an investment advisory firm, registered in the State of Tennessee, and is a member of the Financial Industry Regulatory Authority (FINRA). The Company sells various investments to its clients who are primarily located in the eastern region of the United States.

**B. Commissions Receivable**

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with its broker-dealer and other customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

**C. Revenue Recognition**

The Company recognizes Advisory Fees on a quarterly basis. The fees are for advising clients on asset allocation and positions on investments held primarily at Charles Schwab. The company also earns 12B1 fees on 401k plans and Mutual Funds held at various Mutual Fund Companies. The company also earns Commissions based on sales of its Agents of both mutual funds and Variable Annuities. Commissions generally are paid bi-monthly on a negotiated basis.

**D. Income Taxes**

The Company recognizes taxable income under the cash basis of accounting. Accordingly, income is recognized in different periods for income tax reporting purposes and financial reporting purposes. Other temporary timing differences result principally from differences in methods of reporting depreciation.

As a limited liability company, all current and deferred federal taxable income of the Company is passed through to the members who are responsible for payment of any federal income taxes thereon. The State of Tennessee taxes the income of limited liability companies to the extent that their income is not subjected to federal self-employment taxes. Accordingly, no Tennessee excise tax has been accrued.

**E. Cash Flows**

For purposes of reporting cash flows, the Company considers investments readily convertible into cash with a maturity of three months or less when purchased without significant loss due to penalties or interest, deposits in banks, and certificates of deposit to be cash and cash equivalents.

**F. Property and Equipment**

Property and equipment is recorded at cost. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the period. The cost of repairs and maintenance is charged to expense as incurred.

**CW SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**G. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles and prevailing industry practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Concentrations of Credit Risk**

Approximately eleven percent and twenty-two percent of the commission expense is incurred by non-members, commissioned representatives for the years ended December 31, 2018 and 2017, respectively. Accordingly, a significant portion of the commission revenue results from the related transactions.

The Company maintains its cash balances in one financial institution located in Knoxville, Tennessee. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2018 and 2017.

**I. Subsequent Events**

Management has evaluated subsequent events through February 22, 2019, the date which the financial statements were available to be issued, and no items of any significant nature were noted.

**J. Commitments and Contingencies**

Management has evaluated commitments and contingencies through February 22, 2019, the date which the financial statements were available to be issued, and no items of any significant nature were noted.

**NOTE 2 – DETAILED NOTES ON ACCOUNTS**

**A. Subordinated Liabilities**

At December 31, 2018 and 2017, there were no liabilities pledged to general creditors.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2018 and 2017, the Company paid commissions and investment advisory fees to the Company's members in the amount of \$283,500 and \$248,954, respectively. In addition, approximately \$19,238 and \$2,723 commissions payable to this individual was included in accrued expenses as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the amount of related party accounts receivable from this individual was \$21,375 and \$17,813 respectively.

An investment advisory firm owned by the organizing members of the Company provides facilities, personnel, and office supplies. Related expenses amounted to \$15,600 and \$15,500 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 4 – NET CAPITAL REQUIREMENTS**

The Company is subject to the Uniform Net Capital requirement of the Securities and Exchange Commission under Rule 15c3-1, which requires a minimum net capital of the greater of \$5,000 or 6 2/3 percent of aggregate indebtedness, as defined. As of December 31, 2018, the Company's net capital amounted to \$17,702 as computed under Rule 15c3-1, exceeding the minimum capital requirement by \$12,702. In addition, Rule 15c3-1 requires that the Company's aggregate indebtedness not exceed 1,500 percent of its net capital. The actual aggregate indebtedness to net capital at December 31, 2018, was 117.44 percent.

## **SUPPLEMENTARY INFORMATION SECTION**

**CW SECURITIES, LLC**  
**COMPUTATION OF NET CAPITAL**  
For the Year Ended December 31, 2018

	<b>Reported in Form <u>X-17A-5</u></b>	<b>Reconciling Items</b>	<b>Reported in Audit <u>Report</u></b>
<b>Computation of net capital pursuant to Rule 15c3-1 of the Securities and Exchange Commission Act of 1934 for Investment Advisory</b>			
Total members' equity	\$ 20,080	\$ -	\$ 20,080
Deductions:			
Non allowable assets	<u>(2,365)</u>	<u>-</u>	<u>(2,365)</u>
Net capital before haircuts on securities positions	17,715	-	17,715
Haircuts on security positions	<u>(13)</u>	<u>-</u>	<u>(13)</u>
Net capital	<u><b>\$ 17,702</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,702</b></u>
<b>Computation of basic net capital requirement</b>			
Minimum net capital required	\$ 1,386	\$ -	\$ 1,386
Minimum dollar net capital requirement	\$ 5,000	\$ -	\$ 5,000
Net capital requirement	\$ 5,000	\$ -	\$ 5,000
Excess net capital	\$ 12,702	\$ -	\$ 12,702
<b>Computation of aggregate indebtedness</b>			
Total liabilities from balance sheet/aggregate indebtedness	\$ 20,790	\$ -	\$ 20,790
Percentage of aggregate indebtedness to net capital	117.44%	-	117.44%

*See independent auditor's report.*

## **COMPLIANCE**

February 22, 2019

Re: SEC Rule 15c3-1 Exemption

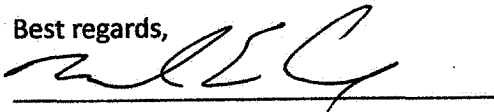
Please be advised CW Securities, LLC's, CRD # 124496, net capital requirement is \$5,000 under SEC Rule 15c3-1{k}{2}{iv}. CW Securities, LLC was registered in 2002 under the provisions of SEC Rule 15c3-1{k}{2}{iv} and has remained as such.

CW Securities, LLC carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker or dealer and its customers through one or more bank accounts, each to be designated as "Special Account for the Exclusive Benefit of Customers of (name of the broker or dealer)." pursuant to SEC Rule 15c3-3(k).

CW Securities, LLC has met the identified exemption provisions under SEC Rule 15c3-3(k) throughout the most recent fiscal year without exceptions.

Please contact me if you have any questions or comments.

Best regards,

A handwritten signature in black ink, appearing to read 'mcc', is written over a horizontal line.

Michael Cox, President





**Alexander Thompson Arnold PLLC**

2070 Rhino Crossing, Milan, TN 38358

731.686.8371 731.686.8378

www.atacpa.net

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members  
of CW Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) CW Securities, LLC identified the following provisions of 17 C.F.R. §15c3-1(k)(2)(iv) under which CW Securities, LLC claimed an exemption from 17 C.F.R. §240.15c3-1: (k)(2)(iv) (the "exemption provisions") and (2) CW Securities, LLC stated that CW Securities, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. CW Securities, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about CW Securities, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(iv) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Alexander Thompson Arnold PLLC*

Milan, Tennessee  
February 22, 2019